

Technology

Crypto Markets Roiled as Traders Question Tether's Dollar Peg

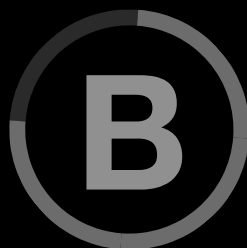
By [Andrea Tan](#), [Eric Lam](#), and [Benjamin Robertson](#)

October 15, 2018, 12:30 AM EDT

Updated on October 15, 2018, 5:21 AM EDT

-
- ▶ Tether slides below \$1 amid fresh concern over dollar backing
 - ▶ Bitfinex dismisses rumours, says withdrawals working as normal
-

Ex-CFTC Chair Gensler Says Cryptocurrency Needs More Regulation Than Oil



0:00 / 0:00



Ex-CFTC Chair Gensler Says Cryptocurrency Needs More Regulation Than Oil

A sudden exodus from the most popular dollar-linked cryptocurrency rippled through digital asset markets on Monday, saddling some investors with losses while propelling Bitcoin to its biggest gain in more than three weeks.

Tether, the so-called stablecoin used as a substitute for the U.S. currency on crypto exchanges around the world, broke its historically tight link with the greenback, touching 85 cents on U.S.-based venue Kraken. Transactions on Binance, one of the world's most active platforms for Tether, recently implied a price of about 96 cents, according to CoinMarketCap.com. Bitcoin jumped as much as 8.9 percent to \$6,769 as Tether holders shifted into alternative virtual currencies.

“If traders start to flee Tether, it’s a potentially precarious situation,” said Vijay Ayyar, head of business development at Luno, a cryptocurrency exchange. “It basically implies a lot of volatility ahead.”



While skeptics have long doubted whether Tether was fully backed by dollars as its issuer has claimed, markets have mostly shrugged off those concerns and treated the coin as if it were worth \$1. Tether’s stability helped it become a major part of global crypto ecosystem, with traders using it for about 20 percent of all virtual currency transactions tracked by CoinMarketCap.com -- second only to Bitcoin.

[Read more: A QuickTake Q&A on Tether](#)

But faith in Tether abruptly diminished on Monday amid renewed speculation over the financial health and banking relationships of Bitfinex, a crypto exchange that shares a chief executive officer with Tether’s issuer.

Similar rumors earlier this month prompted Bitfinex to issue a statement last week denying allegations that it was insolvent. In a Medium post after several hours of market turbulence on Monday, Bitfinex said that withdrawals from the exchange were being processed as usual even though fiat-currency deposits had been paused for some users. That appeared to calm markets somewhat, with Tether paring some of its losses and Bitcoin giving up some gains.

Many crypto-related firms have struggled to maintain banking relationships as regulators in the U.S. and elsewhere scrutinize the industry's exposure to risks including money laundering, market manipulation and security breaches. For Tether's issuer, a viable bank account is an important part of its pledge to redeem the coins for \$1 each.

Questions surrounding Bitfinex and Tether are nothing new. Since at least 2017, some market watchers have alleged that trading in Tether's coins on Bitfinex has helped prop up Bitcoin's price. The U.S. Commodity Futures Trading Commission sent subpoenas to Bitfinex and Tether at the end of last year, a person familiar with the matter told Bloomberg in January.

Read more: Texas Finance Professor Sifts Data for Signs of Rigged Markets

Given that withdrawals on Bitfinex appear to be working as usual, renewed jitters surrounding the exchange and Tether are "probably a bit of paranoia," said Timothy Tam, co-founder and CEO of CoinFi, a cryptocurrency research firm. "I believe this will all clear up relatively soon."

Still, now that traders have several stablecoins to choose from, some may decide to dump Tether in favor of alternatives such as the Gemini dollar, a brainchild of Cameron and Tyler Winklevoss, said Jehan Chu, managing partner at blockchain investment and advisory company Kenetic Capital. Paxos Standard, another stablecoin linked to the dollar, was trading at \$1.06 versus Tether on Binance.

"Faith in Bitfinex's financial situation and ability to fully back Tether has been a recurring question," Chu said. "Tether's stablecoin dominance will only persist if they can settle community criticisms about their lack of transparency once and for all."

(Updates with latest prices from second paragraph.)

In this article

INDU

DJIA

26,573.72 USD ▲ +372.68 +1.42%

SPX

S&P 500

2,952.01 USD ▲ +41.38 +1.42%

CCMP

NASDAQ

7,982.47 USD ▲ +110.21 +1.40%

UKX

FTSE 100

7,155.38 GBP ▲ +77.74 +1.10%

NK1

NIKKEI 225 Future

21,520.00 JPY ▲ +200.00 +0.94%

EURUSD

EUR-USD

1.0979 USD ▲ +0.0014 +0.1277%

CL1

WTI Crude

52.81 USD/bbl. ▲ +0.36 +0.69%

GC1

Gold

1,512.90 USD/t oz. ▼ -0.90 -0.06%

USGG10YR

US 10-Year Bond

1.53 USD ▼ -0.01 -0.33%

[Terms of Service](#) [Trademarks](#) [Privacy Policy](#)

©2019 Bloomberg L.P. All Rights Reserved

[Careers](#) [Made in NYC](#) [Advertise](#) [Ad Choices](#) [Contact Us](#) [Help](#)